



Bowling Green Presentation

Kentucky Municipal Energy Agency (KYMEA) Update

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August 26, 2019

Confidential

Agenda

Introductions

Background – Historical Perspective

- Strained Relationship with KU

KYMEA – The Organization

- Milestones and Members
- Interlocal Agreement
- Board of Directors
- Staff and Operations
- Projects and All Requirements Portfolio

KYMEA – Membership

- Joint Action Agencies
- KYMEA Membership Provisions
- Competitive Rates and Financial Stability

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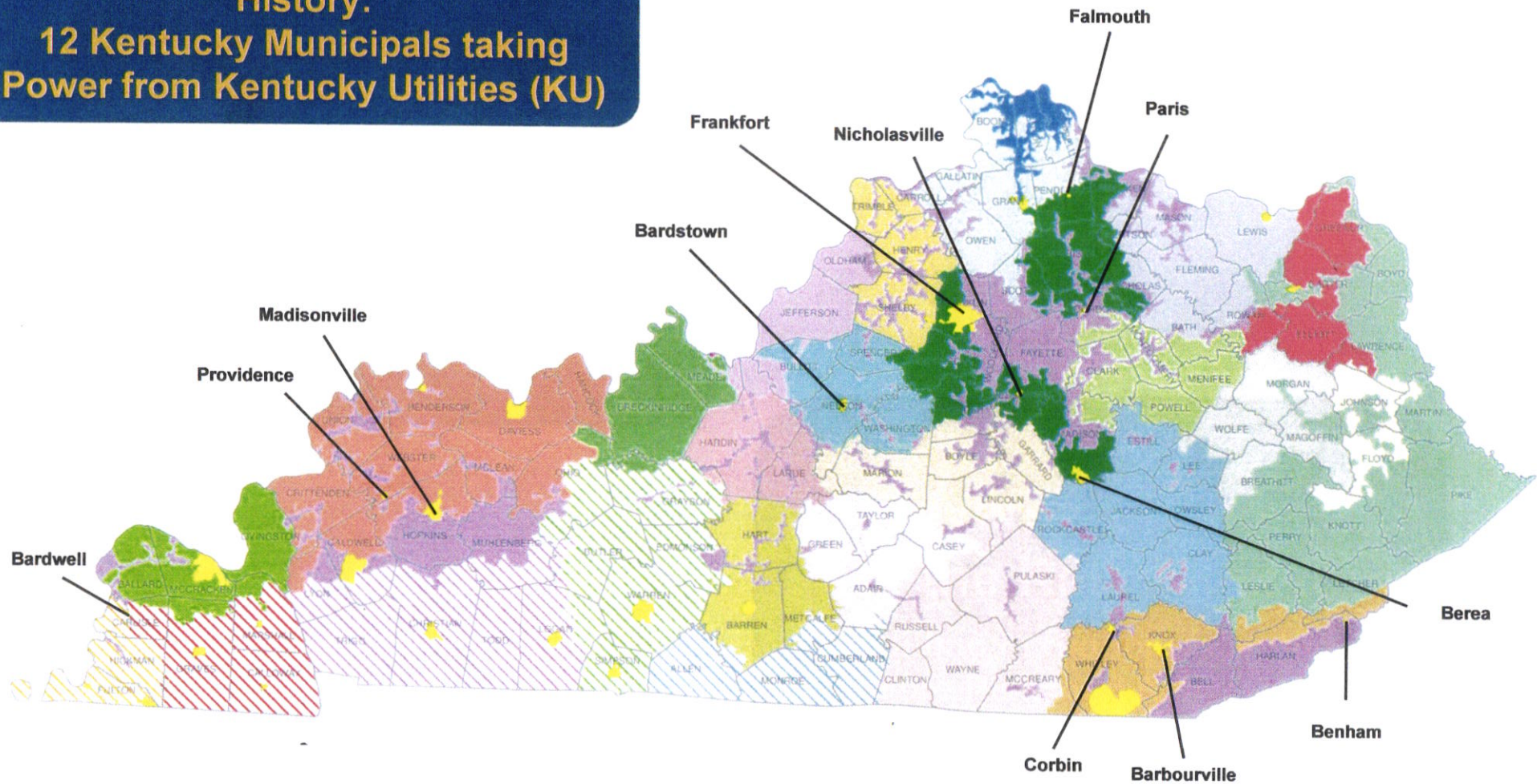
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KU Municipal Customers

History:
12 Kentucky Municipals taking
Power from Kentucky Utilities (KU)



Issues with KU

Drivers of the November 2013 Decision to Consider Power Supply Alternatives

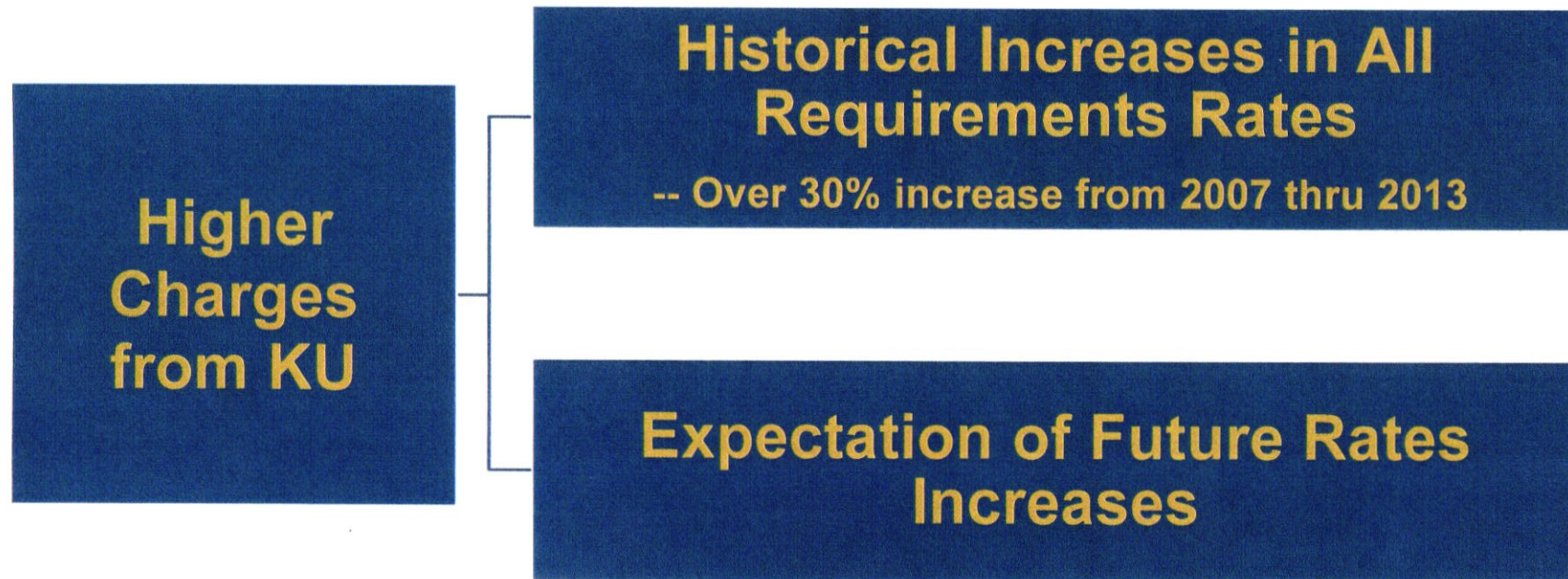
Higher Charges from KU

Historical and Projected Increases

Adverse Changes in the Relationship

Resulting in Higher Uncertainty,
More Risk, and Adversarial
Relationship

Charges by KU were Increasing and Expected to Continue to Increase



The Relationship with KU had become Difficult

Adverse Changes in the Relationship

**KU Acquired (1990s through 2010):
No longer the same Kentucky Controlled Company**

**By LG&E, then PowerGen (British), then E.ON (German), then
PPL (formerly Pennsylvania Power and Light)**

2009:

**KU refused Customers' request to pay their share of costs of
all KU renewables**

**KU added contract terms that make it very uncertain and
difficult for customers to undertake load side resources, like
community solar**

2013:

KU Pursued Key Changes in Contract Terms

The Relationship with KU had become Difficult

2013: KU Pursued Key Changes in Contract Terms:

- 1) 10-year v. 5-year Notice Required for Termination
- 2) Many uncertainties historically borne by KU were shifted from KU to Wholesale Customers and costs were increased by adding an Annual True-up
- 3) New unreasonable credit provisions

Results of Initial Option Screening Process

Proposals were solicited from at least 7 wholesale power suppliers

Indicative proposals/expressions of Interest received from 6 parties
JAAs, COOPs, Munis, and other Market Participants

Initial Decision - April 2014
Options appeared available that may be more attractive than continuing with KU

Analyses indicated multiple opportunities existed for a favorable power supply relative to continuing a long-term arrangement with KU

Municipal group decided to focus primarily on the most promising alternatives

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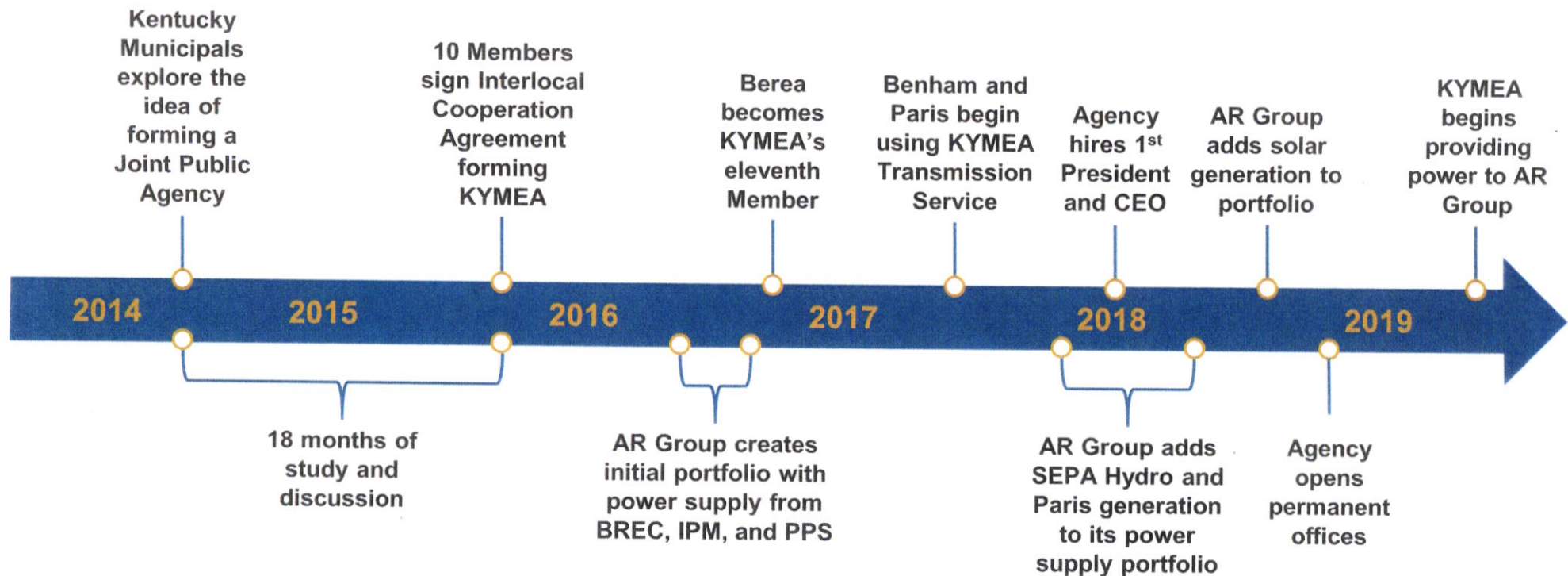
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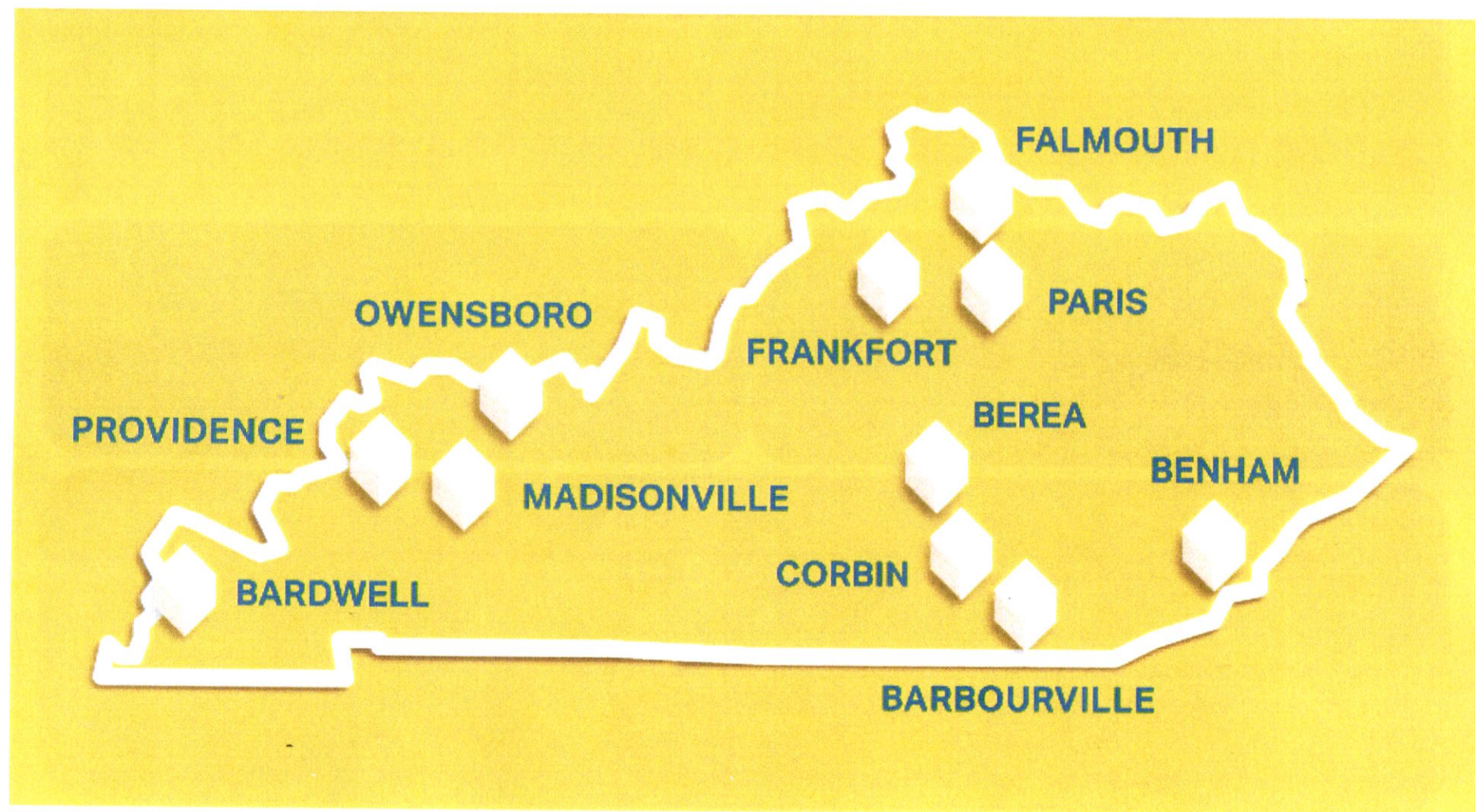
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KYMEA Milestones



KYMEA Members



Key Reasons KYMEA was Formed

***Formed By the Members
For the Benefit of the Members and Their Customers***

1. Effective Transition

For the AR Members, to the new power supply program needed beginning in May 2019

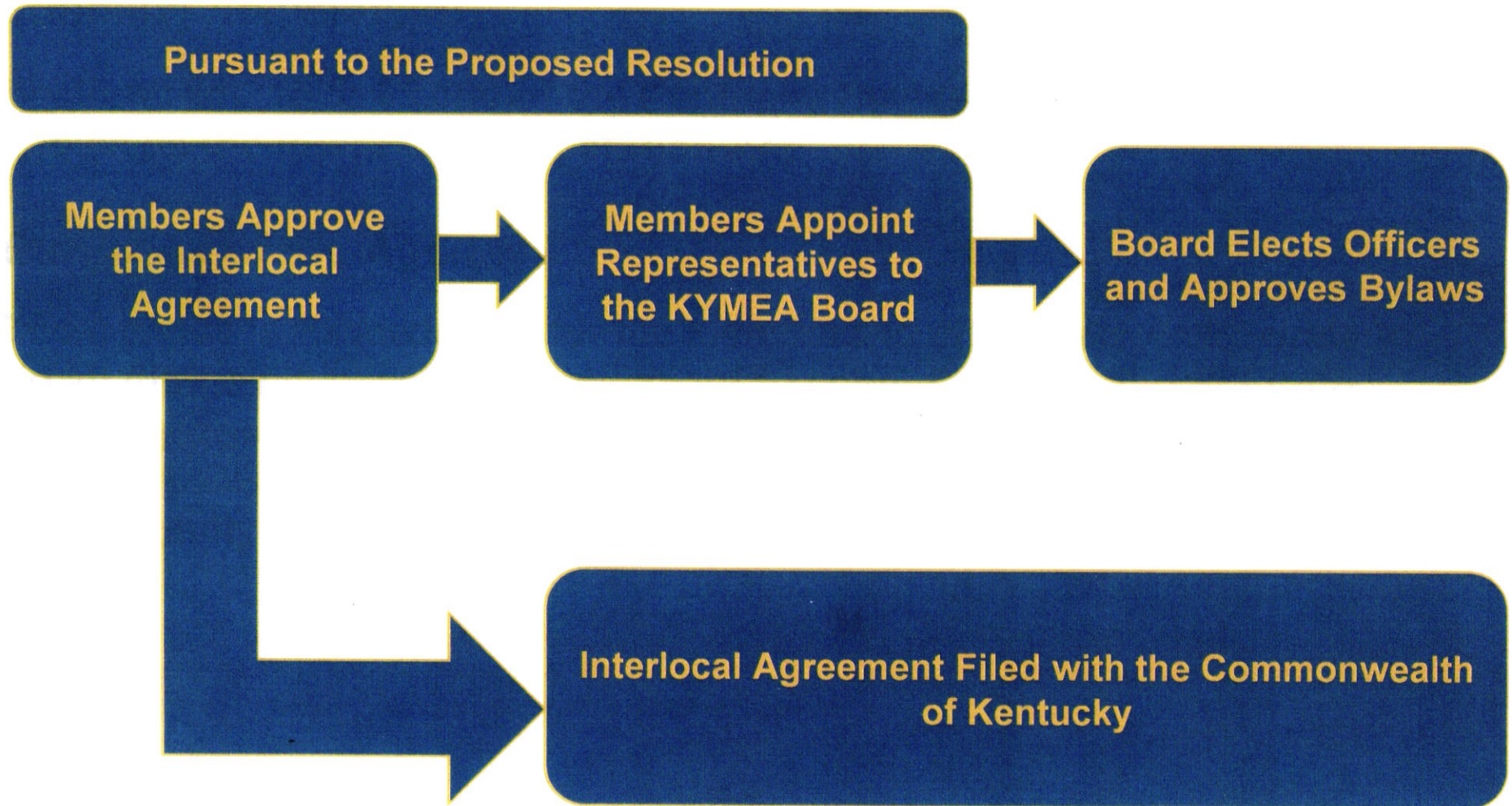
2. Economies of Scale

Acting together will be far more cost effective than acting individually

3. Voice in Decision Making

The members of KYMEA will exercise significantly greater control over their power supply program than existed as a wholesale customer of KU and than would exist under other alternatives.

Formation of KYMEA (September 24, 2015)



KYMEA Interlocal Agreement

Enabling Legislation:

Sections 65.210 to 65.300 of the Kentucky Revised Statutes, as amended, known as the Interlocal Cooperation Act

Purposes of the Agency:

The Agency is formed to allow the Members to effectively collaborate to do all things necessary or convenient to serve the current and future electric power and energy requirements of the Members and to otherwise provide assistance to the Members related to their electric power and energy utility systems.

KYMEA Organization - Article II

KYMEA would be governed by a Board of Directors

- 1. Each Member would appoint a Director and an Alternate Director**
 - **Member of the governing body or**
 - **Senior management employee of the Member or the Member's electrical utility system.**
- 2. Quorum requires a majority present**
- 3. All meetings of the Board to be held in compliance with:**
 - **The provisions of the Kentucky Open Meetings Act, KRS Sections 61.800 through 61.850, and**
 - **Robert's Rules of Order.**
- 4. Voting**
 - **Each Director present casts one vote**
 - **Any Director voting in the minority on a motion can call for reconsideration based on a weighted vote**

KYMEA Organization - Article II

Weighted Voting

1. No weighted vote may be called for election of Board officers or removal of a Director or officer.
2. A motion for reconsideration must receive a majority of the weighted votes of the Directors present in order to vacate the original per capita vote.
 - Weighted votes can only vacate a per capita vote on a motion – would send the Board “back to the drawing board”
3. The formula for the determining each Member’s number of weighted votes shall be set forth in the Agency’s Bylaws.
4. The Bylaws assign weighted votes in proportion to total energy requirements purchased or consumed during the Agency’s preceding fiscal year by such Member from any resource designated by the Agency as a resource controlled, managed or dispatched by the Agency.

KYMEA Officers/Executive Committee

Articles III and IV

Officers

- 1. Chairman, a Vice-Chairman, a Treasurer and a Secretary and such other officers as the Board of Directors may designate.**
- 2. Elected for 2-year terms by the KYMEA Board**
- 3. The principal executive administrative officer of KYMEA shall serve as President and CEO of KYMEA, who shall be an ex officio, non-voting member of the Board and the Executive Committee.**

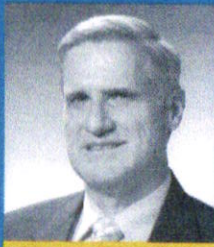
Executive Committee

- 1. Chairman, Vice Chairman and at least one other Director elected by the Board**
- 2. May act on behalf of the Board and shall hold and exercise such powers as are delegated by the Agency Agreement, the Bylaws or in writing by the Board of Directors.**

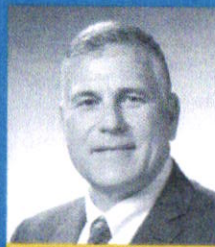
KYMEA Board of Directors

KENTUCKY MUNICIPAL ENERGY AGENCY

BOARD OF DIRECTORS



RON HERD
Director & Chairman
City Utilities Commission of Corbin
General Manager



JOSH CALLIHAN
Director & Vice Chairman
Barbourville Utility Commission
General Manager



CHRIS MELTON
Director & Secretary
City of Madisonville Electric
Department
Electric Superintendent



KEVIN HOWARD
Director & Treasurer
City of Berea Municipal Utilities
Utilities Director



KEVIN FRIZZELL
Director
Owensboro Municipal Utilities
Interim General Manager



EDDIE COOCH
Director
City of Providence
Mayor



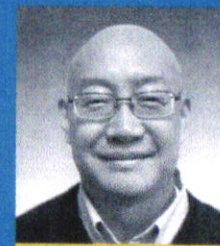
PHILIP KING
Director
City of Bardwell
Mayor



CHRISSY O'HARA
Director
City of Falmouth
Clerk & Treasurer



MIKE WITHROW
Director
City of Paris Combined Utilities
Assistant City Manager



GARY ZHENG
Director
Frankfort Plant Board
General Manager

CARL SHOUBE
Director
Benham Power Board
Benham Director

KYMEA Communities Video

KYMEA Powers - Article II, Section 1

Powers of the Agency (Article II, Section 1):

Extensive, broad list is enumerated, consistent with the purpose of the Agency.

In the near term, the plan calls for KYMEA to:

- 1. Develop agreements with power suppliers to purchase capacity and energy**
- 2. Enter agreements with KYMEA Members to provide the power and energy needed to serve retail loads**
- 3. Potentially, enter agreements for KYMEA and its Members to participate in generation assets**

KYMEA Purposes - Article II, Section 1

Purposes of the Agency (Article II, Section 1):

By May 2019, when current KU supply agreements will have terminated for all Members, the plan calls for KYMEA to:

1. Hire a small staff (4 to 6 persons) to manage the agency
2. Contract with a service provider to facilitate real-time scheduling of resources to serve the energy requirements of the Members
3. Arrange for transmission services through LG&E/KU, MISO, PJM, and TVA transmission systems to deliver power to the Members

All Plans are subject to change as KYMEA works to provide power supply needed to serve the Members' customers in their respective communities.

KYMEA Staff



MANAGEMENT TEAM

The Kentucky Municipal Energy Agency (KYMEA) operates under the direction of a President who serves at the pleasure of the Board of Directors. The President is the chief executive officer with full responsibility for planning, operations, and the administrative affairs of KYMEA. KYMEA's senior management team has significant experience in the utility industry, with an average of over 23 years of service.

KYMEA Operations Video

Projects and Project Committees

Projects (Article II, Section 4, 5 and 6)

1. The Board can designate a resource or activity to be a “Project.” This allows separate cost responsibility, financing, and decision making if not all Members are participating.
2. The Agency and the Members participating in a Project shall indemnify and hold harmless any Member not participating in the Project. All costs, fees and expenses incurred by the Agency to indemnify or hold harmless non-participating Members shall be charged solely to the Members participating in the Project.

Project Committees (Article III, Section 4)

1. Members participating in a Project would establish representation provisions and voting procedures.
2. A Project Committee would make most decisions pertaining to a Project.
3. The KYMEA Board of Directors will make any decisions with regard to authorization of acquisition of, construction of, participation in, or financing of the Project.

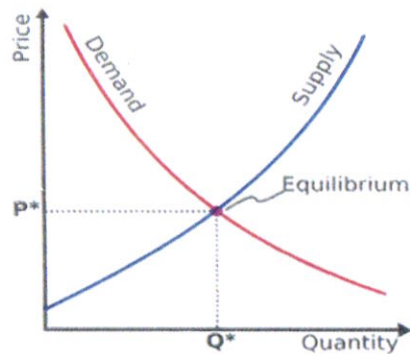
Not Part of the Proposed Interlocal Agreement

By Approving the Interlocal Agreement, the Member is **NOT:**

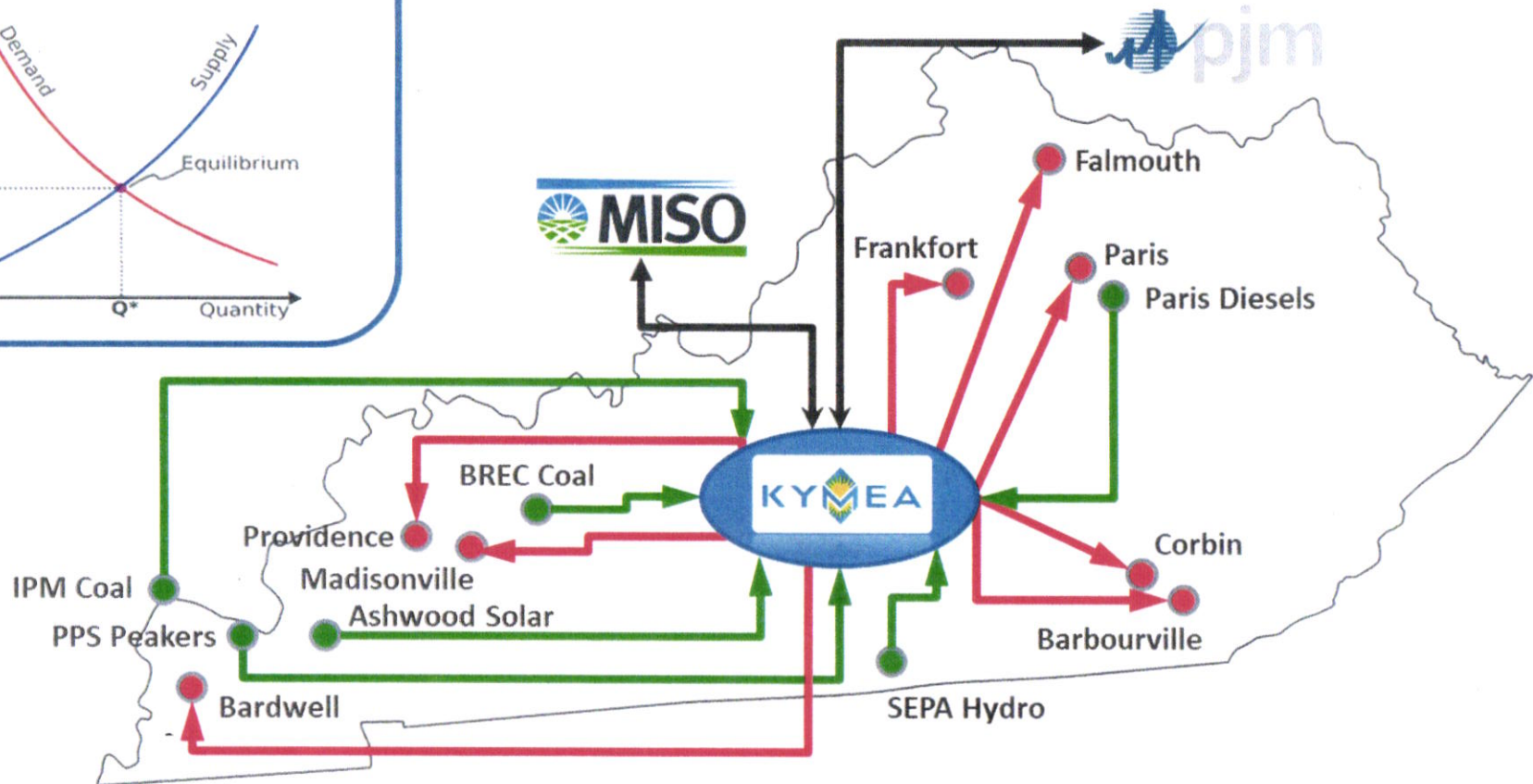
- 1. Committing to a Specific Project, Power Supply Contract, or Power Supply Arrangement**
- 2. Granting Authority to KYMEA to set a Member's retail rates and charges**
- 3. Granting KYMEA the authority to obligate the Member to repay KyMEA indebtedness**
- 4. Impairing the Member's ability to issue debt**

KYMEA Load and Resource Balance

Supply Equals Demand



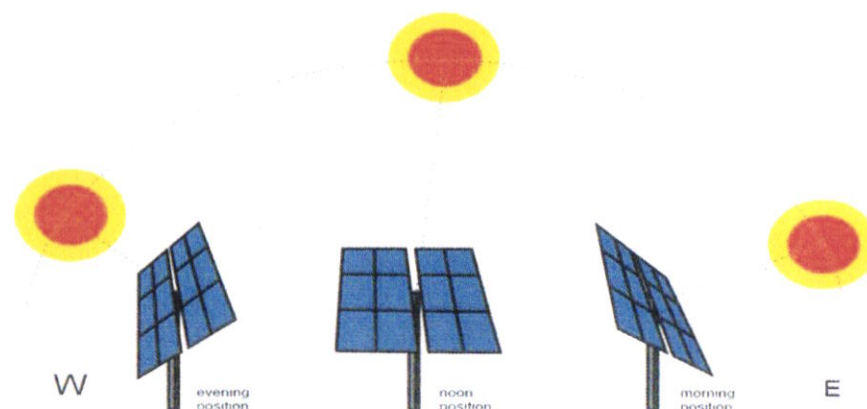
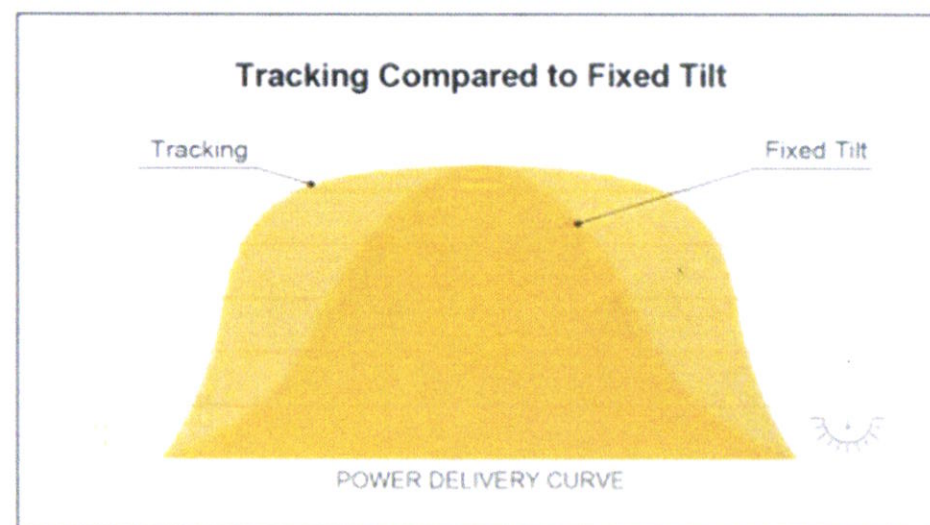
KYMEA All Requirements Members



Ashwood Solar I Project

Ashwood Project Overview

1. 86 MW - 800 acres in Lyon County
2. KYMEA (54 MW), OMU (32 MW)
3. 20-year term
4. 8% of KYMEA energy needs
5. Largest solar power plant in Kentucky by factor of nearly 10x
6. Top 2 percent largest in nation
7. To be placed into service in late 2022
8. Single-Axis Tracking



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Joint Action Agencies



Joint action agencies procure and supply wholesale power and a range of advocacy, operational, and business services for groups of public power utilities, to leverage economies of scale and strength in numbers.

KYMEA Membership Provisions

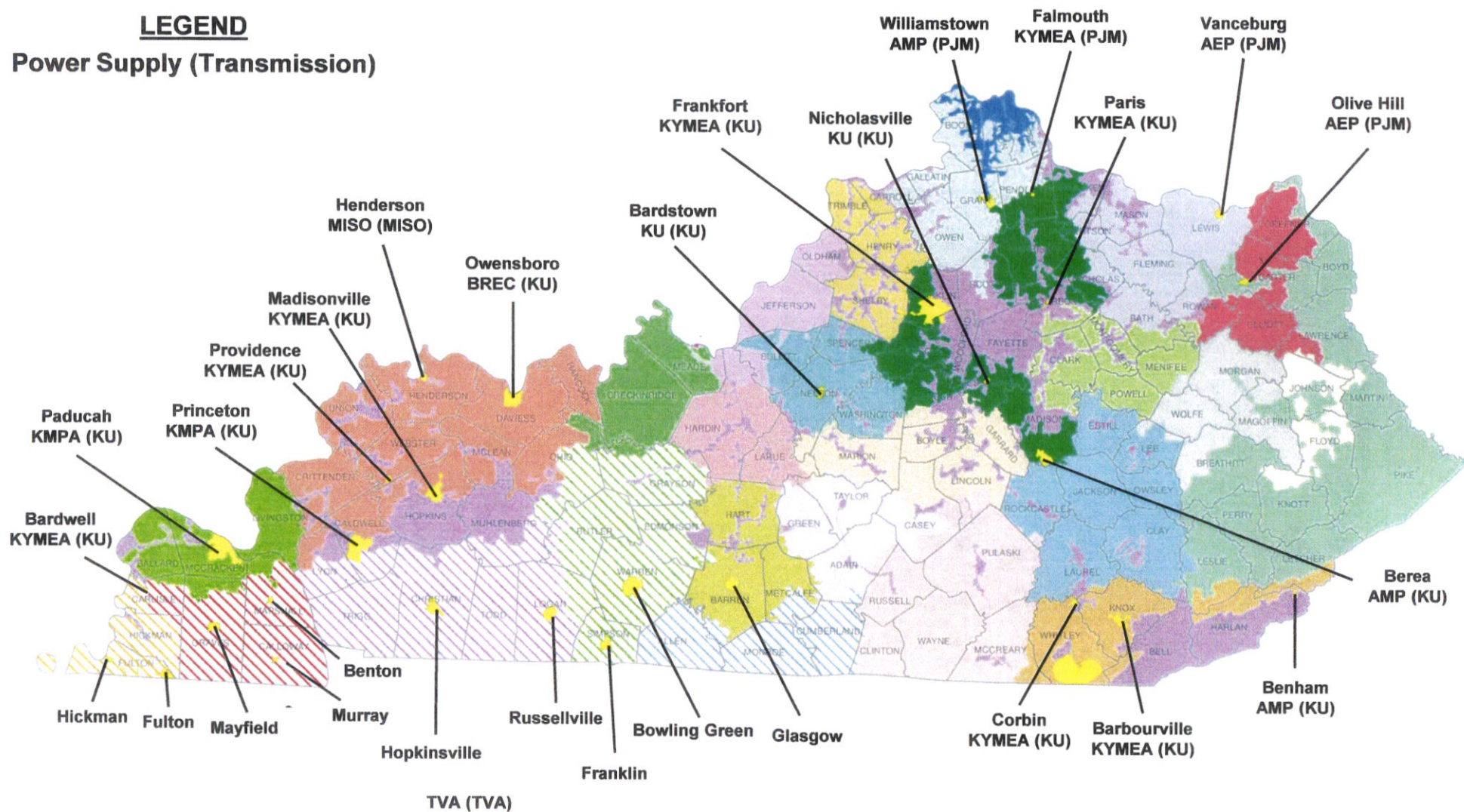
Miscellaneous - Article VI

1. **Duration and Dissolution** - This Agreement shall continue in full force and effect, ... until the Members shall have rescinded this Agreement
2. **Resignation of Member** - Subject to the fulfillment of all obligations it has undertaken as a Member or has otherwise agreed to with the Agency or other Members, any Member may resign its membership in the Agency, remove itself as a party to this Agreement and terminate its participation in this Agreement Requires not less than 1-year notice
3. **Amendments** - Amendment of this Agreement shall require a two-thirds ($\frac{2}{3}$) majority vote of all Directors (not just those present)
4. **New Members** - The Board of Directors may permit any public agency operating a municipal electric system within or without the Commonwealth of Kentucky to become a member

Kentucky Municipal Electric Systems

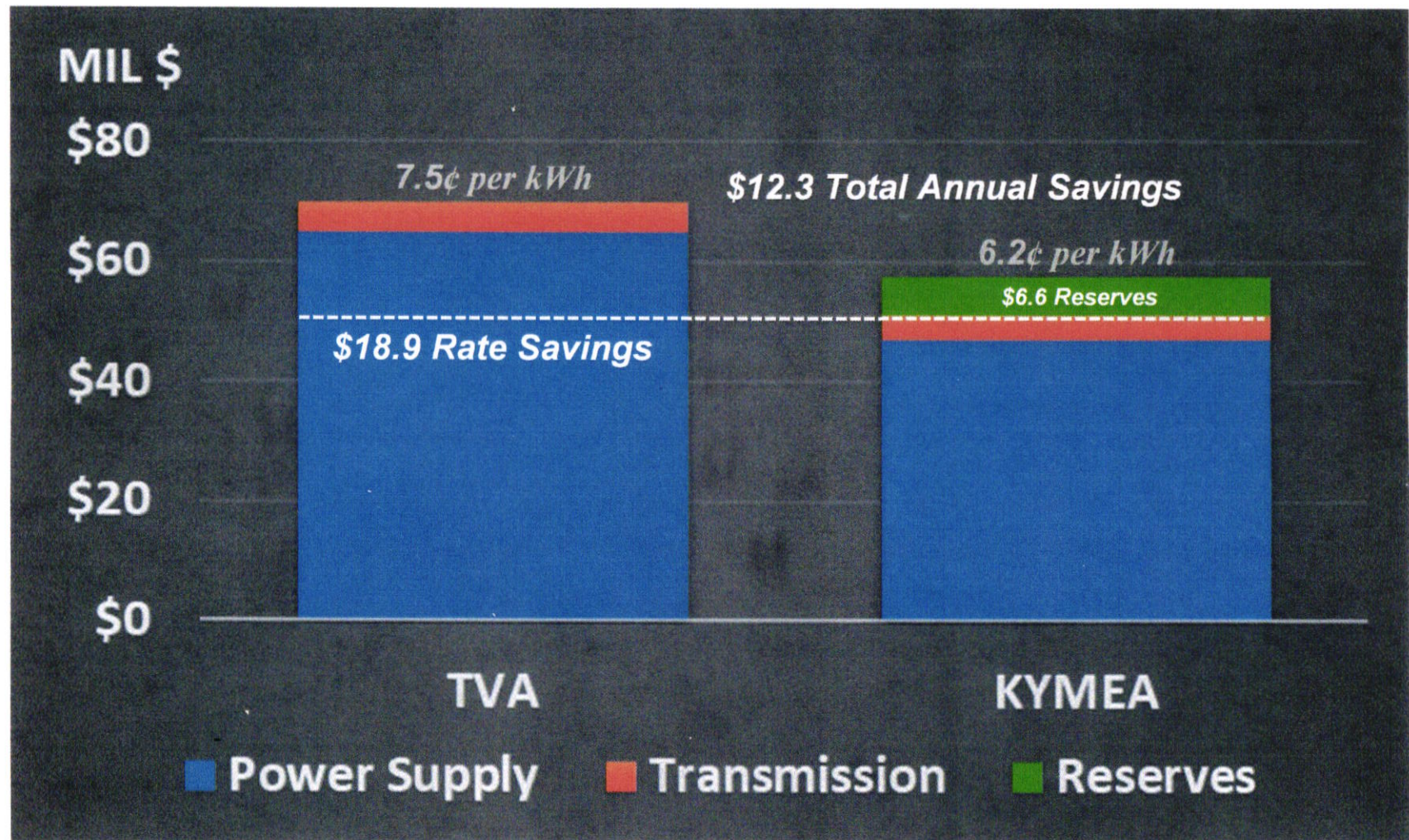
LEGEND

Power Supply (Transmission)



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2019 Bowling Green TVA / KYMEA Rate Comparison



Discussion/Questions

We're happy to answer any questions you may have.